



January 21, 2020

Mr. Chris Morrill, Executive Director, GFAO  
Ms. Beth Pearce, President, NASACT and State Treasurer, Vermont  
Mr. David Damschen, President, NAST and State Treasurer, Utah

Thank you for your letter to Nacha of December 19, 2019, which requested an extension of the effective date of the rule Supplementing Data Security Requirements (“the Rule”). The Rule was approved in November 2018, and requires bank account information that is used to complete ACH payments to be rendered unreadable when stored electronically. The Rule supplements existing ACH data security requirements that require organizations that use the ACH Network to have in place programs and systems to protect the confidentiality and integrity of sensitive banking information, and to protect against threats to, and unauthorized use of, such information.

For organizations that originate more than 6 million ACH payments annually, the Rule provided an implementation period of greater than 19 months, becoming effective on June 30, 2020. For other organizations that originate more than 2 million ACH payments annually, the Rule provides an additional year to comply, to June 30, 2021.

Nacha understands that the Rule requires many organizations, such as state and local government agencies, to expend time and resources to work toward compliance. We appreciate that effort. We are pleased to hear that your organizations and members support the intent of the rule to better protect sensitive banking information.

Unfortunately, Nacha does not grant waivers from the applicability of the Nacha Rules; nor do we think it would be appropriate to extend the Rule’s effective date, given that such an extension would apply broadly to the entire industry, which has already expended significant resources to meet the June 30, 2020 deadline.

Nevertheless, Nacha will take a position of “no enforcement” of the Rule through June 30, 2021 with respect to government entities that are working in good faith toward implementation and compliance with the Rule, but that require additional time. We strongly encourage all such government entities to work towards compliance as soon as possible, but no later than the secondary effective date of June 30, 2021. With this position of no enforcement, we think that government entities can continue to work towards compliance without interruption to their existing ACH payment processes. Please note, however, that we can only take this no enforcement position with respect to compliance with the Rule itself, and not to other circumstances that result in either a data breach or to unauthorized access to protected information.

Page 2

Finally, Nacha would like to take additional steps to avoid any future instances in which your organizations and your members are not aware of changes to the Nacha Rules that might impact them. We would welcome an ongoing engagement with your organizations on topics of mutual interest. Our point of contact for this engagement will be Bill Sullivan, Senior Director and Group Manager, of Government and Industry Relations. He will be reaching out to your organizations in the near future; and you can always reach him directly at 703-561-3943 or [wsullivan@nacha.org](mailto:wsullivan@nacha.org).

Nacha appreciates your attention to this Rule, and I thank you for writing to us to share your concerns.

Sincerely,



Michael Herd  
SVP, ACH Network Administration  
Nacha